

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 3/16/2012

GAIN Report Number: HK1208

Hong Kong

Food Service - Hotel Restaurant Institutional

HRI Food Service Sector

2012

Approved By:

Erich Kuss

Prepared By:

Chris Li

Report Highlights:

Hong Kong food service sector recorded healthy growth in 2011, with restaurant receipts reaching US\$11.5 billion, an increase of 6.4% over 2010. Hong Kong imports of high value food products from the U.S. reached US\$3.3 billion in 2011, consolidating its position as the leading food supplier to Hong Kong. It is expected that Hong Kong will maintain its position as one of the top 5 markets for U.S. consumer ready food products in 2012 as it continues to be a major buying center and transshipment point for other markets in the region. Economic growth in Hong Kong is forecast to be 2% in 2012. Post expects that U.S. products will continue to fair well due to competitive prices and consumer confidence in the quality and safety of U.S. products.

Post:

Hong Kong

SECTION I. HONG KONG MARKET PROFILE

HRI Food Service Sector

1. Restaurants

Hong Kong restaurant industry's purchases of over US\$4.2 billion in foods and beverages generated sales of over US\$11.5 billion in 2011. This represented an increase of 10.9% and 6.4% respectively over 2010. It is expected that restaurant purchases and receipts will continue to grow in 2012.

Table 1 – Hong Kong Restaurants Receipts and Purchases (US\$ Billion)

	2010	2011	Growth (11 vs 10)
Restaurant Receipts	10.8	11.5	6.4%
Restaurant Purchases	3.7	4.2	10.9%

(Source: Hong Kong Census & Statistics Department)

As Asia's most cosmopolitan city, Hong Kong boasts around 13,910 restaurants serving a wide range of world cuisines. These restaurants are comprised of 37% Chinese, 55% non-Chinese restaurants, and 8% fast food outlets. In addition, there are over 1,000 bars, pubs and other eating and drinking establishments.

- **Chinese restaurants:** Chinese restaurants are popular among local citizens and tourists. There are a variety of Chinese restaurants in Hong Kong serving different regional cuisines: Canton, Shanghai, Beijing, Sichuan...etc. A typical lunch at a nice Chinese restaurant costs around HK\$150-300 (US\$19.23-38.46) per person and a typical dinner costs around HK\$200-450 (US\$25.64-57.69) per person.
- **Non-Chinese restaurants:** Many Hong Kong consumers enjoy western food, as do the over 41 million tourists (in 2011). 5-Star and other high-end western restaurants are as likely to be patronized by locals as tourists/visitors. Japanese food, fast food chains, coffee houses and casual dining establishments are also increasing their presence. A typical lunch at a western restaurant costs around HK\$150-350 (US\$19.23-44.87) per person and a typical dinner costs around HK\$250-500 (US\$32.05-64.10) per person.
- **Fast food outlets:** Fast food outlets are popular among Hong Kong consumers. The most popular fast food chains in Hong Kong are McDonald's, KFC and Pizza Hut. There are also some large local fast food chains such as Café De Coral, Maxim's and Fairwood that serve both Chinese and western foods. Competition among fast food chains is intense, as they each try to keep meal prices competitive. The average cost is around HK\$30 (US\$3.85) for breakfast, HK\$50 (US\$6.41) for lunch, HK\$25 (US\$3.21) for afternoon tea and HK\$70 (US\$8.97) for dinner. To further meet competition, many fast food operators have renovated their outlets to make them look more modern, spacious and attractive. To meet the demand of a growing number of health-conscious customers, fast food chains have also introduced more new ingredients and developed healthy-food options such as salads, fruits, and fresh juices.
- **Coffee Shops:** The coffee shop market continues to grow in Hong Kong's commercial areas. The two largest coffee house outlets are Starbucks – operating 115 outlets and Pacific Coffee 110 outlets. Most shops also offer basic menus consisting of muffins, pastries, cakes, sandwiches, and bottled beverages (juices and water). McDonald's has also vigorously expanded its McCafe in order to gain share in this growing market. Of its

232 outlets, 77 include a McCafe inside their shops.

- **Growing Trend – Healthy Eating:** Hong Kong’s food culture is “fresh”. Consumer preference for fresh and live products is due to tradition, as well as concern about food safety. Hong Kong consumers are increasingly health conscious. Hong Kong has over 50 small to medium size health food stores. The two leading supermarket chains (Wellcome and ParknShop) and drug store chains (Manning’s and Watson’s) also sell natural/organic products at their outlets. The growth of “Mix” – a juice bar that also serves food is a good example of a successful “healthy” restaurant chain. Organic foods are also gaining popularity as evidenced by the growth of specialized retail outlets for organic foods. There is increasing opportunity for U.S. products and ingredients in this sector.

2. Hotels

Table 2 – Hotels, Hostels and Guesthouses in Hong Kong

	2010	2011	Growth
Number of hotels/guesthouses	794	826	+4%
Number of rooms	66,354	68,404	+3%
Room occupancy rate	87%	89%	-

(Source: Hong Kong Census & Statistics Department)

- According to latest Hong Kong Tourism Board statistics, tourists spent more than US\$1.9 billion on food and beverages in 2010 and it is expected the spending in 2011 was in the region of US\$2.5 billion.
- Many five-star hotels serve U.S. beef, chicken, turkey, pork, eggs, fish and seafood products, fruits and vegetables, processed products and beverages.
- The Hong Kong Government (HKG) provides a searchable list of licensed Hotels & Guest Houses at:
http://www.hadla.gov.hk/en/hotels/search_h.html
http://www.hadla.gov.hk/en/hotels/search_g.html
- A list of Hong Kong hotels are available at:
http://www.hkha.com.hk/doc/mem_eng.pdf
<http://www.discoverhongkong.com/eng/jsp/hotel/search-index.jsp>

3. Institutions

- Institutions like schools, hospitals, and airlines are served by a small number of large catering groups who are generally affiliated with the restaurant sector. These caterers mainly source their ingredients from China where supplies are cheaper and more abundant. They also use ingredients from other countries such as the U.S. when they cannot find the same products in China, or when they want to use products with better quality and taste.
- **Schools:** School regulators prohibit primary and lower secondary students from eating out. Students therefore either pack their lunch boxes or subscribe to a school lunch box program. According to the latest statistics (academic year 2010/2011) of the Education

Bureau, there are 572 primary schools and 533 secondary schools. The total number of primary students and lower secondary students amounted to 331,112 and 223,177 respectively. About 70 percent of students buy lunch at schools. A typical lunch box consists of meat, rice and some cooked vegetables. The annual turnover is estimated at US\$250 million. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools. ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.

- **Hospitals:** The Hospital Authority operates 41 hospitals and medical centers, with a total of over 27,000 beds and staff size of 59,000. The catering services for hospitals are outsourced on a tender basis. The hospitals are served by catering groups, many of which also operate restaurants, fast food chains or school lunch catering services.
- **Airlines:** There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term:
 - Cathay Pacific Catering Services
 - Lufthansa Service Hong Kong Ltd
 - Gate Gourmet Hong Kong Ltd
- The three airline caterers have a combined capacity of 135,000 meals per day, providing a whole range of in-flight catering services, from preparation and assembly of in-flight dishes to logistics of food delivery and storage of catering utensils.

Economy

- Hong Kong’s economy continued to grow in 2011 helped by the continued influx of investment, particularly from Mainland China. GDP and per capita GDP grew by 8.6% and 8%, and reached US\$242 billion and US\$34,106 respectively in 2011.

Table 3 – Hong Kong: Gross Domestic Product and GDP per capita

	2010	2011	Growth 11 vs 10
GDP	US\$223 billion	US\$242 billion	+8.6%
GDP per capita	US\$31,593	US\$34,106	+8.0%

(Source: Hong Kong Census & Statistics Department)

Demographics

- Hong Kong’s population was around 7.1 million in 2011. 1.79 million, or 48% of the total labor force, are women. The large number of employed women is an important influence on the demand in the restaurant business.

Table 4 – Hong Kong: Labor Force Participation

	2010	% of Total	2011	% of Total
Labor Force-Men	1.94 million	53%	1.96 million	52%
Labor Force-Women	1.71 million	47%	1.79 million	48%
Total	3.65 million	100%	3.75 million	100%

(Source: Hong Kong Census & Statistics Department)

Imported Foods vs. Domestic Products

- Due to limited land resources and having a population of 7.1 million, Hong Kong relies on imports for over 95% of its food supply. According to the latest statistics (for 2010) of the Agricultural Fisheries and Conservation Department, the local agricultural industry produced US\$79 million worth of products. It is comprised of US\$30 million in crop production (mainly vegetables), US\$23 million in livestock production, and US\$27 million in poultry production. Local production accounted for 2.5 percent of fresh vegetables, 56.2 percent of live poultry and 6.4 percent of live pigs consumed in the territory.
- Due to its central location, free port status and position as a regional purchasing and distribution center, a significant amount of Hong Kong imports are re-exported.

Table 5 – Hong Kong Imports (2007-2011) of Consumer Oriented Agricultural Products (COAP) & Seafood

Country	(in US\$ Million)	2007	2008	2009	2010	2011	Growth 11 v 10	Share in 2011	% of Re- exports of Gross Imports
World	Gross Imports	9,098	11,544	12,826	15,270	18,306	20%	100%	28%
	Re-exports	2,435	3,409	3,824	4,427	5,158	17%	100%	
	Retained Imports	6,663	8,135	9,001	10,843	13,148	21%	100%	
United States	Gross Imports	1,042	1,615	1,972	2,766	3,354	21%	18%	48%
	Re-exports	328	609	752	1,155	1,619	40%	31%	
	Retained Imports	715	1,006	1,220	1,611	1,735	8%	13%	
China	Gross Imports	2,007	2,215	2,446	2,735	3,203	17%	17%	16%
	Re-exports	309	356	334	392	503	28%	10%	
	Retained Imports	1,698	1,859	2,112	2,344	2,700	15%	21%	
Brazil	Gross Imports	989	1,441	1,575	1,415	1,649	16%	9%	33%
	Re-exports	491	630	737	658	551	-16%	11%	
	Retained Imports	498	811	838	757	1,098	45%	8%	
France	Gross Imports	251	385	446	688	997	45%	5%	22%
	Re-exports	88	111	115	162	216	33%	4%	
	Retained Imports	164	274	331	526	782	49%	6%	
Japan	Gross Imports	573	603	709	971	954	-2%	5%	5%
	Re-exports	36	41	43	51	51	0%	1%	
	Retained Imports	536	562	665	920	903	-2%	7%	
Australia	Gross Imports	529	613	682	659	755	15%	4%	10%
	Re-exports	58	59	91	83	78	-6%	2%	
	Retained Imports	470	553	591	576	677	18%	5%	
Netherlands	Gross Imports	211	306	323	386	666	72%	4%	17%
	Re-exports	60	100	95	91	111	22%	2%	
	Retained Imports	151	206	228	295	554	88%	4%	
Thailand	Gross Imports	410	486	590	527	583	11%	3%	

	Re-exports Retained Imports	226	267	350	288	312	8%	6%	54%
		184	219	240	239	271	13%	2%	
Germany	Gross Imports	148	302	287	307	435	42%	2%	
	Re-exports Retained Imports	73	180	168	166	146	-12%	3%	34%
		76	122	118	141	289	105%	2%	
Canada	Gross Imports	217	342	312	394	403	2%	2%	
	Re-exports Retained Imports	43	133	104	133	97	-27%	2%	24%
		173	209	207	261	306	17%	2%	
Total of Top 10 Suppliers	Gross Imports	6,378	8,307	9,341	10,849	12,999	20%	71%	
	Re-exports Retained Imports	1,712	2,486	2,790	3,179	3,684	16%	71%	28%
		4,666	5,821	6,551	7,670	9,316	21%	71%	
Total of Rest of World	Gross Imports	2,721	3,237	3,484	4,421	5,307	20%	29%	
	Re-exports Retained Imports	723	923	1,034	1,248	1,475	18%	29%	28%
		1,998	2,314	2,450	3,173	3,832	21%	29%	

(Source: Calculations based on World Trade Atlas data)

(Retained Imports = Gross Imports into Hong Kong – Re-exports out of Hong Kong)

- Thanks to the fast-growing economy and consumer affluence, total retained imports of consumer-oriented agricultural products (COAP) and Seafood products in Hong Kong grew by 21% in 2011.
- The U.S. consolidated its position as the largest supplier of COAP and Seafood products to Hong Kong in 2011. Retained imports of these products from China and the U.S. in 2011 reached US\$2.7 billion and US\$1.7 billion, representing market shares of 21% and 13% respectively.
- Hong Kong's status as a gateway for trade with other markets in the region is increasingly opening up greater avenues for U.S. high value food products. In 2011, Hong Kong imported over US\$18 billion COAP and Seafood from the world and re-exported 28% of these products. (Source: Hong Kong Census and Statistics Department).

Outlook of the HRI Sector in 2012

- The outlook for spending on food is slightly less optimistic as the Hong Kong economy is not currently expected to grow at the same pace as in both 2010 (7 percent) and 2011 (8 percent). Growth in food imports is expected in 2012 but at a slightly less robust pace. However, U.S. agricultural products are well known in the market for their good taste and quality. In addition, the peg between U.S. dollar and HK dollar will provide much needed foreign exchange stability which will make buying U.S. products more advantageous. Moreover, Hong Kong will continue to be a major tourist destination where tourists spend significantly on food and beverage.

Import Regulations

Duties

With the exception of spirits, all food and beverage products can be imported to Hong Kong duty free.

Certificates & Permits

In Hong Kong, the legal framework for food safety control is defined in part V of the Public Health and Municipal Services Ordinance and the Food Safety Ordinance. The basic tenet is that no food intended for sale should be unfit for human consumption. Technical requirements for imports vary significantly according to the product. Products which require import permits/health certificates include meat, milk and frozen confections. The Hong Kong Government (HKG) also plans to implement a health certification requirement for eggs and seafood products. The HKG accepts import applications from Hong Kong importers. In other words, local importers and not U.S. exporters are required to apply for import permits. U.S. exporters need to supply their agents/importers with necessary documentation such as health certificates from the U.S. government.

Labeling

All prepackaged food products in Hong Kong have to comply with Hong Kong's labeling regulation. There are also labeling requirements for allergens and nutrients. U.S. labels may not be able to meet with Hong Kong labeling requirements particularly for products with nutritional claims. However, the Hong Kong government allows stick-on food labels, which could be arranged by Hong Kong importers with the permission of the manufacturers.

The marking or labeling of prepackaged food can be in either the English or the Chinese language or in both languages. If both languages are used in the marking and labeling of prepackaged food, the name of the food, ingredient lists and nutrition information have to be provided in both languages.

Labeling for Biotech Food

The HKG does not have any specific biotechnology regulations with regard to the labeling of biotech food products. It makes no distinction between conventional and biotech foods. All are subject to the same food safety regulation. The HKG continues to promote voluntary labeling of GMO products as a viable alternative for the trade. The guidelines on labeling for biotech foods, released in 2006, are advisory in nature and do not have any legal effect. The threshold level applied in the guidelines for labeling purpose is 5 percent, in respect of individual food ingredient. Negative labeling is not recommended.

Organic Certification

While the Hong Kong Organic Center provides organic certification for local produce, Hong Kong does not have a law regulating organic food products. U.S. organic products can be sold in Hong Kong with the USDA organic logo.

Others

Under the food ordinances, there are regulations governing the use of sweeteners, preservatives, coloring matters, and metallic contaminants. The Hong Kong government enforces its food safety control according to Hong Kong's food regulations. In the absence of a particular provision in Hong Kong food regulations, the HKG would draw reference from Codex and/or conduct risk assessments to determine whether a food meets the food safety standard.

The Hong Kong government is planning to introduce a regulation governing the residue limit of pesticide in foods in April 2012. Its framework is largely built on Codex's standard, supplemented by standards adopted in China, Thailand the U.S.

For details on Hong Kong’s general import regulations for food products, please refer to GAIN Report #1145. (This report is available at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>)

**Table 6 – Hong Kong:
Summary of the Key Strengths and Challenges for the Market**

Strengths	Weaknesses
Hong Kong is one of the top markets in the world for food and beverages, processed, fresh and frozen gourmet products. U.S. exports of high value food and beverage (HVFB) products to Hong Kong reached US\$2.56 billion, consolidating Hong Kong’s position as the 5th largest market for the U.S. in 2011.	U.S. food products are not always price competitive. China is the largest competitor of U.S. food products.
Hong Kong is a major trading hub where buyers make purchasing decisions for hundreds of millions of dollars of consumer oriented products that are transshipped to China and other parts of Asia.	Lengthy transportation time and availability of product due to seasonality (e.g. fresh produce) associated to importing U.S. food and beverage products to Hong Kong can make them less competitive than products available in the region or from China, Australia New Zealand (favorable in terms of location).
U.S. food products enjoy an excellent reputation among Hong Kong consumers, as they are renowned for high quality and food safety standards.	The importance of Hong Kong as a transshipment point and buying center for China and elsewhere is not widely known to U.S. exporters.
The U.S. is the 2 nd largest supplier of agricultural, fisheries and forestry products to Hong Kong. For HVFB products, the U.S. remained as the largest supplier to Hong Kong in 2011.	Hong Kong labeling and residue standards differ in some cases, which can impede trade.
Technical barriers to imports of U.S. products are generally very low.	Numerous HK food regulations are not in line with Codex, which can complicate import clearances.
There is a wide variety of U.S. products available to Hong Kong consumers (over 30,000 different items).	While Hong Kong has one of the busiest container terminals in the world, it also has the most expensive port handling charges.
The link between the Hong Kong Dollar (HKD) to the U.S. Dollar help insulate the HKD from currency fluctuations.	Hong Kong’s top supermarkets are a duopoly that often request slotting fees.
In general, implementation and application of regulations is transparent and open.	Inflation is on the rise in Hong Kong. The increase in food prices may cause some consumers to turn to more lower-price lower-quality food products where U.S. products do not enjoy strong competitive advantage.
Hong Kong exporters choose to work with Hong	

Kong importers and distributors to get their products to Mainland China because of Hong Kong's dependable legal system, financial system and rule of law.	
Most trans-shipments to Macau are purchased, consolidated and shipped via Hong Kong.	
Demand is increasing most rapidly for "healthy" and gourmet foods, market segments where the U.S. is especially strong.	
Hong Kong concerns over food safety have made U.S. food products as a top choice for quality and safety.	
Hong Kong's modern and efficient port terminal and free port status make it an attractive destination and for re-exports.	
Hong Kong is a "quality" and trend driven market so price is not always the most important factor for food and beverage purchases.	
Hong Kong is a dynamic market with a sophisticated international community where new high quality products are readily accepted.	
Hong Kong is dependent on imports for meeting its food needs. With continued economic growth, U.S. high value food & beverage (HVFB) exports to Hong Kong grew by 21% in 2011 compared to 2010 and consolidated Hong Kong's position as our 5 th largest market for HVFB products in the world.	
Biotech products are freely imported and products containing biotech ingredients are generally not controversial.	
Lack of local production means virtually no protectionist pressures for food and agricultural products.	
Hong Kong is in an economically vibrant region and its economy is expected to grow by 2% in 2012.	
Hong Kong's duopolistic supermarkets have a wide distribution network. Cold chain and distribution channels for food products are generally efficient and dependable, as is the customs clearance process.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Exporting and Selling

- Since very few hotels, restaurants or institutions import directly from exporters, most suppliers sell to importers for further distribution to the HRI sector in this market.

Establishing a Business in Hong Kong

If U.S. restaurant chains or caterers want to establish a stronger foothold in Hong Kong, they are allowed to incorporate freely. However, there are two market entry channels that U.S. companies may consider in their attempt to establish a presence in Hong Kong's HRI sector.

1. Franchising

- The concept of franchising has been growing in Hong Kong for the past decade. Nearly 80 % of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering.

2. Joint Ventures

- Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major catering projects.
- In order to attract foreign investment, the HKG set up a special department called "Invest Hong Kong" to help overseas companies establish a presence in Hong Kong by providing all the support needed to establish and expand their operations (www.investhk.gov.hk).
- Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but the choice is all very much guided by a network of reliable and trusted suppliers.

3. Setting up a Representative Office

- One of the most effective but costly means that U.S. companies can use to sell their products to this market is to set up a representative office in Hong Kong. Information on how to set up a new business in Hong Kong can be found at:
http://www.success.tid.gov.hk/english/inf_ser/bus_sta_up_inf_ser/bus_sta_up_inf_ser.htm

4. Appointing Agents

- U.S. exporters may consider hiring a local agent. A key consideration is whether the prospective agent has a good marketing record and widespread distribution network. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV, magazine and radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to the HRI sector but also to retail outlets.
- Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer/distributor selected is appropriate for your products.

Marketing Strategies

- Identify key players for the products - ATO Hong Kong can provide lists of importers, distributors, commodity cooperators and regional business groups.
- Test marketing maybe required prior to establishing a presence in the market.
- Communicate product benefits to end-users - although distributors maintain the relationships with their customers, end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your products.
- Participate in or visit trade shows – Hong Kong has an excellent reputation of hosting international trade shows. In cooperation with cooperators and regional groups, the shows will demonstrate the versatility and safety of U.S. food products. Some major shows include:

**Table 7 - Hong Kong:
Trade Shows Featuring Food & Agricultural Products**

Date	Name of Show	Website
May 29-31, 2012	Vinexpo Asia Pacific	http://www.vinexpo.com/en/
Aug 16-20, 2012	HKTDC Food Expo	http://www.hktdc.com/fair/hkfoodexpo-en/HKTDC-Food-Expo.html
Aug 23-25, 2012	Natural Products Expo Asia	http://www.naturalproductsasia.com
Sep 5-7, 2012	Asia Fruit Logistica*	http://www.asiafruitlogistica.com/en
Sep 11-13, 2012	Restaurant and Bar	http://www.restaurantandbarhk.com
Sep 11-13, 2012	Asian Seafood Exposition	http://www.asianseafoodexpo.com
Sep 11-13, 2012	Frozen Food Asia	http://www.frozenfoodasia.com
Nov 8-10, 2012	5th Hong Kong Int'l Wine & Spirits Fair	http://hkwinefair.hktdc.com
Dec 5-7, 2012	Agri-Pro Expo Asia	http://www.AgriProAsia.com

(* USDA-endorsed trade shows, more information on USDA-endorsed trade shows can be found at: http://www.fas.usda.gov/agx/trade_events/usda_shows.asp)

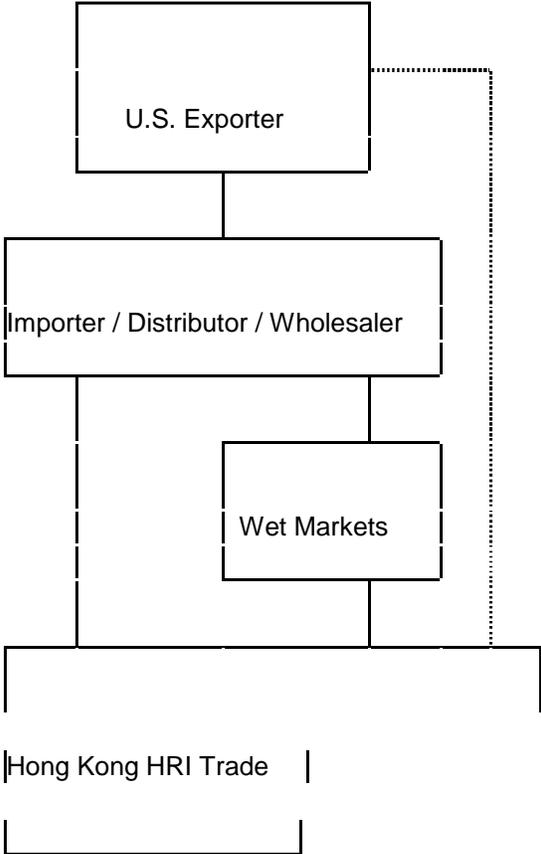
- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.

- Invite restaurant owners/chefs to seminars and/or to the U.S. - ATO Hong Kong/ cooperators organize seminars and trade missions to the U.S. with an intention to introduce U.S. products, meet U.S. exporters, and share with them food service operations in the U.S.

MAP Program

Small to medium sized U.S. food companies wishing to export their products can get funding assistance from the USDA Market Access Program (MAP). The reimbursement rates for branded promotions are equal to the percentage of U.S. origin content of the promoted agricultural commodity or a rate of 50 percent, whichever is the lesser. If you are a producer or exporter and want to participate in the MAP, please contact a trade association that represents your specific product. If no trade association is applicable, please contact one of the four State regional trade groups: Food Export USA - Northeast (FEUSA), Food Export Association of the Midwest USA (FEA), Southern US Trade Association (SUSTA), and Western US Agricultural Trade Association (WUSATA). For details of the MAP program and a list of trade associations, please contact our office or visit the website: <http://www.fas.usda.gov/mos/programs/maptoc.html>

Market Structure



- The market structure for Hong Kong typically involves a dedicated importer/distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels, restaurant chains and institutions but most tend to outsource the import burden.
- Hong Kong is a mature trading port and as such has developed an effective network of importers, distributors and wholesalers that support the HRI trade.

- Most major importers/distributors service multiple reseller sectors including HRI/food service, retail and wet markets.
- ATO Hong Kong has a resourceful database of Hong Kong importers servicing the HRI trade. For information regarding specific category suppliers, the ATO Hong Kong can provide additional information.
- Given below is a partial list of catering franchises in Hong Kong

Name of Franchise	No. of Outlets
Ajisen-Ramen (<i>catering - Japanese noodles restaurant</i>)	29
Double Star (<i>catering - coffee shop</i>)	2
Genki Sushi (<i>catering - Japanese restaurant/takeaway</i>)	43
Grappa's Ristorante (<i>catering - Italian restaurant</i>)	4 (+ 1 wine bar)
Hui Lau Shan (<i>catering - herbal tea house and health food</i>)	47
Hung Fook Tong (<i>catering - herbal tea house</i>)	89
Jollibee (<i>catering - restaurant</i>)	1
Kentucky Fried Chicken (<i>catering - fast food restaurant</i>)	62
Kung Wo Tong (<i>catering - herbal tea house</i>)	10
Kung Wo Beancurd Products (<i>catering - beancurd drinks and products</i>)	14
Magic House Superstore Ltd (<i>catering - ice cream and snacks</i>)	58
McDonald's (<i>catering - fast food restaurant</i>)	232
Mian Cafe (<i>catering - cafe</i>)	8
Mrs. Fields Cookies (<i>catering - bakery</i>)	14
Pie & Tart Specialists (<i>catering - pie and tart</i>)	15
Pizza Box (<i>catering - pizza delivery</i>)	15
Pizza Hut Restaurants (<i>catering - restaurants</i>)	66
Saint's Alp (<i>catering - Taiwanese tea house</i>)	6
Strawberry Forever (<i>catering - western dessert house</i>)	1
TGI Friday's (<i>catering - restaurant</i>)	1
Yoshinoya (<i>catering - Japanese restaurant</i>)	55

- Given below is a partial list of restaurants in Hong Kong

Company Name	Type of Food	No. of Outlets
Maxims	Chinese Restaurants /fast food / Max Concepts / bakery	376
McDonalds	Fast Food - Burgers	232 (77 McCafe)
Café de Coral	Chinese fast food / lunch boxes	151
Fairwood	Chinese Fast food	107
KFC	Fast Food - Chicken	62
Starbucks	Coffee & snacks	115

Pizza Hut	Pizza, local menu	66 (32 takeaway)
Pacific Coffee	Coffee & Snacks	110
Deli France	Bakery, Fast Food Sandwiches	34
Steak Expert	Steak house	24
Spaghetti House	International	24
Epicurean	International	15
Café Deco Group	International	43
Lan Kwai Fong Entertainment	International	4
Oliver's Super Sandwich	Fast Food Sandwiches / Salads	18
Mix	California Smoothies & Wraps	5
Pret a Manger	Fast Food Sandwiches / Salads	12
Chiram Restaurants Ltd	International	5
Eclipse Management	International	11
Outback Steakhouse	Australian / American style Steak House	7
Red Ant	Chinese	7
Elite Concepts	International	8
California Pizza Kitchen	American style pizza	4
Dan Ryan's	American Style dining	3
Ruby Tuesday's	American Style dining	5
Burger King	Fast Food - Burgers	15
Jimmy's Kitchen	International	2
Ruth's Chris Steakhouse	American Style Steak House	2
Bubba Gump	American Style dining	1
Harlan's	International	1
Lawry's The Prime Rib	American Steak House	1
Morton's the Steakhouse	American Steak House	1
TGI Fridays	American Style dining	1
Tony Roma's	American Style dining	2

SECTION III. COMPETITION

Note: Trade Statistics for 2011; Market Share in terms of Gross Import Value

Source: World Trade Atlas – Hong Kong Census & Statistics Department

Table 8 – Major Product Categories of Hong Kong's Imports of COAP and Seafood Products And Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Red Meats.	1. Brazil –	Products from Brazil and China	Local production is largely

<p>chilled/frozen</p> <p>Imports US\$3 billion 1,170,850 MT</p> <p>Retained Imports US\$2.2 billion 610,002 MT</p>	<p>31%</p> <p>2. U.S. – 13%</p> <p>3. China – 10%</p> <p>4. Germany – 10%</p>	<p>are price competitive, but they are of different market segments from U.S. products.</p> <p>U.S. market share dropped from 21% in 2003 to 3% in 2005 as a result of the ban on U.S. bone-in beef. Market share of U.S. beef gradually picked up following Hong Kong’s opening to U.S. beef since the beginning of 2006. Hong Kong currently allows U.S. boneless beef derived from animals less than 30 months of age.</p> <p>Bone-in beef and offals from the U.S. are not yet allowed entry into Hong Kong. Hong Kong Government adopts zero tolerance on bone fragments.</p> <p>U.S. beef is highly regarded in Hong Kong. It is always the top choice for high-end restaurants and sophisticated consumers. U.S. beef is largely for the high-end market.</p>	<p>on freshly slaughtered meats.</p>
<p>Red Meats, Prepared/preserved</p> <p>Imports US\$919 million 436,259 MT</p> <p>Retained Imports US\$756 million 307,460 MT</p>	<p>1. China – 25%</p> <p>2. U.S. – 12%</p> <p>3. Spain – 11%</p>	<p>Chinese supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective.</p>	<p>Local production is insignificant.</p>
<p>Poultry Meat (Fresh, chilled & frozen)</p> <p>Imports US\$1.99 billion 1,293,268 MT</p> <p>Retained Imports US\$1.09 billion 490,221 MT</p>	<p>1. U.S. – 38%</p> <p>2. Brazil – 32%</p> <p>3. China – 13%</p>	<p>Brazil took over as the leading supplier of poultry for Hong Kong market in 2004, when Hong Kong banned entry of U.S. poultry products (between February 11, 2004 and April 30, 2004) due to outbreaks of Avian Influenza cases in the U.S. Though the ban was then lifted, Brazil continued to be the largest supplier due to price competitiveness of its products and established business relationship between Brazilian</p>	<p>Local production is on freshly slaughtered meats.</p> <p>HRI sector tends to use chilled and frozen chicken products rather than freshly slaughtered chickens because the latter are far more expensive.</p>

		<p>exporters and Hong Kong importers.</p> <p>The depreciation of U.S. dollar attracted more imports of U.S. products to Hong Kong and market share of the U.S. grew more significantly & resumed the leading position with a market share of 38% in 2011.</p>	
<p>Dairy Products</p> <p>Imports US\$918 million 200,164 MT</p> <p>Retained Imports US\$805 million 181,215 MT</p>	<p>1. Netherlands – 37%</p> <p>2. Ireland – 12%</p> <p>3. New Zealand – 10%</p> <p>U.S. – 1%</p>	<p>Netherlands is strong in dairy product supplies and it has established position in Hong Kong.</p> <p>Dairy products from major supplying countries primarily include concentrated dairy and cream.</p> <p>Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.</p>	<p>Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China.</p> <p>Local companies can easily fulfill local milk registration requirements.</p>
<p>Eggs</p> <p>Imports US\$156 million 2.06 billion eggs</p> <p>Retained Imports US\$155 million 2.04 billion eggs</p>	<p>1. China – 58%</p> <p>2. U.S. – 21%</p> <p>3. Malaysia – 6%</p>	<p>Eggs from China are price competitive. However, since 2006, when some Chinese eggs were found tainted with Sudan red (which is a dye for industrial use), Hong Kong consumers lost confidence in the safety of all Chinese eggs.</p> <p>U.S. dominates the white egg markets.</p> <p>Melamine was found in eggs and dairy products from China and that has led consumers to pay more attention to food safety and seek high quality products from other supplying countries.</p>	<p>Local production is insignificant.</p>
<p>Fresh Fruit</p> <p>Imports US\$1.56 billion 1,500,084 MT</p> <p>Retained Imports</p>	<p>1. U.S. – 28%</p> <p>2. Thailand – 18%</p> <p>3. Chile –</p>	<p>U.S. fresh fruits are highly regarded as having good quality.</p> <p>Thai Trade commission in Hong Kong aggressively sponsors trade promotion activities.</p> <p>Thai's tropical fruits are very</p>	<p>No local production.</p>

US\$761 million 586,274 MT	18%	popular in Hong Kong. Chile's biggest fruit item to Hong Kong is grapes. The supplying season is different from the U.S.	
Fresh Vegetables Imports US\$250 million 693,805 MT Retained Imports US\$245 million 688,698 MT	1. China – 72% 2. U.S. – 9% 3. Australia – 3%	Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong move their operations to China and sell their products back to Hong Kong. High-end restaurants and five-star hotels prefer to use high quality U.S. products. A lower U.S. dollar value helps U.S. exports to Hong Kong.	Local production is about 5 % of total demand. Production costs, both in terms of land and labor, in Hong Kong are high. The Hong Kong Government has encouraged organic farming so as to find the niche market for local vegetables.
Processed Fruit & Vegetables Imports US\$455 million 243,521 MT Retained Imports US\$260 million 156,138 MT	1. China – 31% 2. U.S. – 26% 3. Thailand – 10%	Supplies from China are price competitive. Besides, some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	Local production is insignificant.
Tree Nuts Imports US\$1.29 billion 282,690 MT Retained Imports US\$445 million 18,605 MT	1. U.S. – 72% 2. Iran – 16% 3. S. Africa – 3%	The U.S. is very strong in supplying almonds, walnuts, hazelnuts and pistachios. Some of the imports are re-exported to China for processing.	No local production
Wine Imports US\$1.2 billion 45.5 million liters Retained Imports US\$971 million 28.5 million liters	1. France – 62% 2. U.K. – 13% 3. Australia – 6% 4. U.S. – 6%	France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive. Hong Kong people are becoming more familiar with California wine. The Hong Kong Government abolished the tax on wine in February 2008. The new policy has attracted more wine imports	Hong Kong has insignificant wine production.

		into Hong Kong.	
--	--	-----------------	--

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Notes

:

- 1 95% of Hong Kong food supplies are imported. Since Hong Kong's domestic production is nominal the market size in the following table is equal to retained imports without taking into account local production. U.S. exports to Hong Kong are also based on imports minus exports.
- 2 Import tariff rates for all food and beverage products in the tables are zero except for spirits with alcohol content greater than 30%, which is 100%.
- 3 Products listed below are either enjoying a large market import value or a significant growth rate for the last 5 years (2007-2011).

Table 9 – Hong Kong: Top 10 Prospects

Product Category	2011 Retained Imports (MT)	2011 Retained Imports (US\$ million)	2007 – 2011 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fish & Seafood Products	Volume statistics not available	US\$3 billion	+12.9% (value)	Major suppliers of fish and seafood products are China (20%), Japan (16%), Australia (8%) and the US (6%).	U.S. fish and seafood products are perceived as high quality and safe. Many 5-star hotels in Hong Kong are carrying Alaska seafood products such as king salmon, king crab, snow crab, black cod and halibut. It is anticipated that these seafood products will continue to be popular among HRI sector in Hong Kong.
Fresh Fruit	586,274 MT	US\$761 million	+2.8% (volume) +9.3% (value)	Hong Kong consumers prefer fresh fruit to frozen fruit. Competition from Thailand and China is keen as these countries supply tropical fresh fruit at competitive prices. The	U.S. fresh fruit are well known for their large variety, good quality and tastes. U.S. was the largest supplier (28%) of

				shorter travel time for shipments from these countries to Hong Kong also render their products "fresh" to Hong Kong consumers.	fresh fruit to Hong Kong, followed by Chile (18%) and Thailand (18%). The top U.S. fruit exports to Hong Kong were citrus products (US\$138 million), grapes (US\$93 million), apples (US\$78 million), cherries (US\$59 million), plums & sloes (US\$22 million) and strawberries (US\$19 million).
Poultry Products	490,221 MT	US\$1.09 billion	+16% (volume) +23.6% (value)	Brazil moved in as the no. 1 poultry exporter to Hong Kong when U.S. poultry imports were temporarily banned during February 11 to April 30, 2004 due to Avian Influenza cases in the United States. Though the ban was later lifted, Brazil continued to be the largest supplier due to its price advantage and its exporters' relationships with Hong Kong importers. The depreciation of U.S. dollar attracted more imports of U.S. products to Hong Kong and the U.S. regained its leading position with a market share of 38% in 2011.	U.S. exported US\$755 million worth of chicken products to Hong Kong, accounting for 38% of the market share. U.S. products are highly regarded in food quality and food safety. More popular U.S. chicken products include chicken wing mid joints and chicken legs because of their sizes and quality. These two products are particularly popular among Hong Kong style cafes.
Pork	179,637 MT	US\$613 million	+3.9% (volume) +19.1% (value)	China and Brazil are the top suppliers of pork to Hong Kong because their products are very price competitive. There is a big demand for price competitive prepared/preserved meatballs and other products typical in	U.S. exported US\$49 million worth of pork to Hong Kong, accounting for 7% of the market share. U.S. products are highly regarded for quality and food safety.

				Chinese dishes in Chinese restaurants, which are made from pork. China enjoys the advantage of low processing cost.	
Processed Fruit & Vegetables	156,138 MT	US\$260 million	-2.1% (volume) +3.8% (value)	China is the largest supplier (31%), closely followed by the U.S. (26%). Some international brands have operations in China and their exports to Hong Kong are considered as imports from China.	U.S. processed fruit and vegetables are well known of their superior quality and tastes. U.S. processed fruit and vegetables such as potatoes, nuts, sweet corn, mushrooms, peaches and pineapples will continue to be in large demand in Hong Kong.
Beef, Frozen	70,541 MT	US\$449 million	+8.6% (volume) +31% (value)	Because of BSE cases in the U.S., Hong Kong currently allows boneless beef derived from cattle under 30 months of age from U.S. E.V (Export Verification) approved plants. Bone-in beef and variety beef from the U.S. are not yet allowed in. Short U.S. beef supplies make U.S. beef very expensive. Brazil beef took the opportunity to gain market share. Brazil beef imports grew from US\$49 million in 2004 to US\$177 million in 2011.	U.S. exported US\$162 million worth of frozen beef to Hong Kong in 2011, accounting for 30% market share. Although U.S. beef was banned in Hong Kong in 2004 and 2005, Hong Kong consumers still have high regards for U.S. beef in terms of quality and safety.
Wine	28.5 million liters	US\$971 million	+14% (volume) +70% (value)	Competition is keen in Hong Kong. Major competitors come from France and Australia. French wine is traditionally more popular in Hong Kong.	U.S. exported US\$70 million of wine to Hong Kong in 2011, accounting for 6% of the market share. The HKG abolished the import tax on wine and beer in

					<p>February 2008. The HRI sector in Macau is growing, making it an excellent opportunity for U.S. wine traders to expand their exports.</p> <p>Hong Kong consumers are more and more receptive to wine. The total elimination of the excise tax on wine would probably help nurture wine drinking culture in Hong Kong.</p>
Tree Nuts	18,605 MT	US\$445 million	-22% (volume) +21.5% (value)	<p>The U.S. is very strong in supplying almonds, hazelnuts and pistachios.</p> <p>Some of the imports are re-exported to Vietnam and China for processing.</p>	No local production
Fruit & Vegetable Juices	17,206 MT	US\$29 million	-2.4% (volume) +2% (value)	The U.S. is still the market leader, exported US\$13 million worth of fresh fruit juices to Hong Kong, accounting for a market share of 43%.	Given the high quality of U.S. fruit & vegetable juices, U.S. fruit and vegetable juices such as orange juices, apple juices, grape juices, grapefruit juices, tomato juices and pineapple juices are expected to continue to be very popular in 2012.
Organic Food and Beverage	<p>Statistics not available</p> <p>(The size of the Hong Kong organic food and beverage market is estimated at US\$500</p>	Statistics not available	Statistics not available	<p>Organic F&B products are generally 20-40% higher in prices compared to non-organic products.</p> <p>There are many organic standards in the market and the poor quality of a country's organic products may negatively affect the image of organic products from all supplying countries.</p>	<p>As Hong Kong consumers are becoming more health-conscious, the demand for organic products will continue to grow in 2012.</p> <p>USDA Organic enjoys an excellent reputation among consumers in Hong Kong. Consumers</p>

	million, with an annual growth of 10-15%)				<p>generally have more confidence on USDA Organic standards than other countries’.</p> <p>Grain products, soybeans, cereals, oats, noodles...etc are in good demand.</p> <p>Other products such as organic meat (beef and pork), condiments, poultry, eggs etc are starting to have more interest in the market.</p> <p>There is also a strong demand for organic vegetables and fruits, organic coffee and tea products.</p>
--	---	--	--	--	---

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Post Contact

Foreign Agricultural Service (FAS)
Home Page: <http://www.fas.usda.gov>

Agricultural Trade Office
American Consulate General
18th Floor, St. John’s Building
33 Garden Road, Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-Mail: ATOHongKong@fas.usda.gov
Web site: <http://www.usconsulate.org.hk>
<http://www.usfoods-hongkong.net>

Department to Implement Food Safety Control Policy

Food & Environmental Hygiene Department
43/F., Queensway Govt Offices
66 Queensway, Hong Kong
Tel: (852) 2868-0000
Fax: (852) 2834-8467
Web site: <http://www.fehd.gov.hk>

Department to Control the Importation of Plants & Live Animals

Agriculture, Fisheries & Conservation Department
5-8/F., Cheung Sha Wan Govt Offices
303, Cheung Sha Wan Rd
Kowloon, Hong Kong
Tel: (852) 2708-8885
Fax: (852) 2311-3731
Web site: <http://www.afcd.gov.hk>

Department to Issue License for Imported Reserved Commodities

Trade & Industry Department
18/F., Trade Department Tower
700 Nathan Road
Kowloon, Hong Kong
Tel: (852) 2392-2922
Fax: (852) 2789-2491
Web site: <http://www.tid.gov.hk>

Department to Register Health Foods Containing Medicine Ingredients

Department of Health
Pharmaceuticals Registration
Import & Export Control Section
18th Floor, Wu Chung House
213 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2961-8754
Fax: (852) 2834-5117
Web site: <http://www.dh.gov.hk>

Department to Issue License for Imported Dutiable Commodities

Hong Kong Customs & Excise Department
Office of Dutiable Commodities Administration
6-9th floors, Harbor Building
38 Pier Road, Central, Hong Kong
Tel: (852) 2815-7711
Fax: (852) 2581-0218
Web site: <http://www.customs.gov.hk>

Department for Trade Mark Registration

Intellectual Property Department
Trade Marks Registry
24th and 25th Floors, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2803-5860
Fax: (852) 2838-6082
Web site: <http://www.ipd.gov.hk>

Semi-Government Organization Providing Travel Information

Hong Kong Tourist Board
9th - 11th floors, Citicorp Center,
18 Whitfield Road, North Point, Hong Kong
Tel: (852) 2807-6543
Fax: (852) 2806-0303
Home Page: www.hktourismboard.com

Semi-Government Organization Providing Hong Kong Trade Information

Hong Kong Trade Development Council
38th Floor, Office Tower, Convention Plaza
1 Harbor Road, Wan Chai, Hong Kong
Tel: (852) 2584-4188
Fax: (852) 2824-0249

Home Page: <http://www.tdctrade.com>